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DIGITAL NETWORKS NORTH AMERICA, INC. and

LEGACY SUPPORT SERVICES, LTD.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

JENS ERIK SORENSEN, as Trustee
of SORENSEN RESEARCH AND
DEVELOPMENT TRUST,

Plaintiff,

v.

DIGITAL NETWORKS NORTH
AMERICA, INC., a Delaware
corporation; LEGACY SUPPORT
SERVICES, LTD. d/b/a S2G; and
DOES 1-100,

Defendants.

No. 07 CV 5568 JSW

**DEFENDANTS' MEMORANDUM IN
OPPOSITION TO PLAINTIFF'S
MOTION FOR PARTIAL LIFT OF STAY
AS TO LEGACY SUPPORT SERVICES
FOR PURPOSES OF ENTERING
DEFAULT**

Date: June 13, 2008

Time: 9:00 A.M.

Ctrm: 2, 17th Floor

Judge: Hon. Jeffrey S. White

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1 **I. ISSUE**

2 Defendants Legacy Support Services (“Legacy”) and Digital Networks North
3 America (“DNNA”) respectfully request that the Court deny Plaintiff’s motion for a partial
4 lift of stay as to Defendant Legacy Support Services.

5 **II. STATEMENT OF FACTS**

6 On November 27, 2007, Plaintiff Jens Erik Sorensen (“Sorensen”) filed an
7 Amended Complaint for Patent Infringement, adding Legacy as a Defendant. Docket #12.
8 On December 11, Legacy co-defendant DNNA simultaneously filed two motions: a motion
9 to stay the litigation pending the outcome of reexamination proceedings and a motion to
10 enlarge the time to respond to the Amended Complaint pending the outcome of the motion
11 to stay. Docket #24 (“Motion to Stay”); Docket #28 (“Motion to Extend Time”).
12 Subsequent to Defendant’s filing, on December 13, Sorensen filed with the Court proof of
13 service to Legacy of the Amended Complaint. Docket #31.

14 On December 18, 2007, before Legacy was required to Answer the Amended
15 Complaint, the Court granted Defendant DNNA’s motion to extend the time to answer.
16 Docket #33 (“Time Extension Order”). The Court’s Order stated that “*Defendants* need not
17 answer or otherwise respond to plaintiff’s amended complaint unless and until ten (10) days
18 after this Court enters an Order denying the Motion to Stay.” *Id.* at 2 (emphasis added).
19 On January 16, 2008, the Court granted DNNA’s motion to stay litigation pending
20 reexamination of the patent-in-suit. Docket #39 (“Stay Order”).

21 Since the Court’s Order granting the stay, the United States Patent and Trademark
22 Office (“PTO”) has granted an additional reexamination of the patent-in-suit. U.S. Patent
23 Reexamination 90/008,976 Office Action (Decl. of Kurt W. Rohde, submitted herewith,
24 ¶ 5, Ex. A). The reexamination is distinct from the first reexamination and was not
25 submitted by either Defendant in this litigation. Rohde Decl. ¶¶ 2-5, Ex. A. The PTO
26 ordered the additional reexamination on February 21, 2008 after finding nine substantial
27 new questions of patentability based primarily on new prior art not previously considered in
28 the first request for reexamination. *Id.*

1 **III. ARGUMENT**

2 **A. Defendant Legacy Is Entitled to Rely on the Court's Orders**

3 Defendant Legacy did not file an Answer to the Amended Complaint because the
 4 Court's Time Extension Order specifically stated that "Defendants need not answer or
 5 otherwise respond to plaintiff's amended complaint unless and until ten (10) days after this
 6 Court enters an Order denying the Motion to Stay." Docket #33 at 2 (emphasis added). At
 7 the time of the Court's Time Extension Order, Defendants Legacy and DNNA were (and
 8 are) the only named Defendants in the case. Prior to the date for Legacy to file an Answer,
 9 Legacy was aware of the Time Extension Order extending the time to Answer for all
 10 Defendants and was also aware that the Court knew Legacy was a Defendant, due to the
 11 proof service filed with the Court five days prior to the Court's Order. Docket #31. Legacy
 12 is entitled to rely on the Court's Time Extension Order as written and was (and is) under no
 13 duty to file an Answer.

14 **B. Plaintiff Has Failed to Show a Change in Circumstances**

15 As Sorensen correctly points out, the general rule is that a lift of stay may be
 16 granted "[w]hen circumstances have changed such that the court's reasons for imposing the
 17 stay no longer exist or are inappropriate." *Canady v. Erbe Elektromedizin GmbH*, 271 F.
 18 Supp. 2d 64, 74 (D.D.C. 2002) (denying a motion to lift a stay pending PTO reexamination
 19 of the patent in suit). However, Sorensen has failed to show a change in circumstances
 20 warranting a partial lift of stay.

21 Sorensen cannot sustain an allegation of changed circumstances when Sorensen
 22 himself has previously acknowledged that the Court's Time Extension Order applied to all
 23 Defendants, including Legacy. In Sorensen's December 27, 2007 Opposition to the Motion
 24 to Stay, Sorensen specifically requested that the Court "require Defendants to respond to
 25 the Amended Complaint." Docket #34 at 11 (emphasis added). If the Court's Time
 26 Extension Order applied only to DNNA, Sorensen would have been entitled to an Answer
 27 from Legacy pursuant to Fed. R. Civ. P. 12, without need to resort to a request for a Court
 28 order as to Legacy. Sorensen cannot argue that circumstance have changed due to an

1 alleged default when Sorensen has already recognized that Legacy had no requirement to
 2 respond to the Amended Complaint. Legacy cannot be in default when it had no pending
 3 duty to respond.

4 Sorensen also contends that Legacy's inclusion within the Time Extension Order
 5 was a Court "mistake."¹ Kramer Letter at 1, ¶ 3 (Apr. 16, 2008) (Rohde Decl. ¶ 6, Ex. B);
 6 *see also* Rohde Letter (Apr. 21, 2008) (Rohde Decl. ¶ 7, Ex. C). Legacy disagrees. Nine
 7 days after the Time Extension Order issued, Sorensen understood that there was no mistake,
 8 as evidenced by his request for a Court Order requiring Legacy to file an Answer within 10
 9 days. Docket #34 at 11-12. Tellingly, the Court did not change its ruling on the Time
 10 Extension Order, nor did the Court grant Sorensen's request for an Answer from Legacy.

11 Sorensen also cannot sustain an allegation of changed circumstances because the
 12 "changed" circumstances occurred prior to the January 16, 2008 Stay Order, Docket #39.
 13 The only changed circumstance that Sorensen alleges is that "Legacy failed to timely
 14 answer or otherwise appear in this action, rendering Legacy in default." Docket #45-2
 15 at 2-3. Under Sorensen's own argument, Legacy was already allegedly in default prior to
 16 the Court granting the stay, thus the circumstances could not have changed after the stay
 17 was granted. Docket #45-2 at 4 ("Defendant Legacy defaulted just days before stay was
 18 entered . . .").

19 **C. Factors Relevant to Whether to Lift a Stay Favor the Defendant**

20 When ruling on a motion to stay, courts consider several factors: (1) the stage of the
 21 litigation, including whether discovery is or will be almost completed and whether the
 22 matter has been marked for trial; (2) whether a stay will unduly prejudice or tactically
 23 disadvantage the nonmoving party; and (3) whether a stay will simplify the issues in
 24 question and streamline the trial, thereby reducing the burden of litigation on the parties and
 25 on the court. *Tap Pharm. Prods., Inc. v. Atrix Labs., Inc.*, 70 U.S.P.Q. 2d 1319, 1320 (N.D.

26
 27 ¹ Sorensen attorney Melody Kramer stated in an April 16, 2008 teleconference with counsel
 28 for Legacy that she believes the plural "Defendants" was a mistake of the Court. Kramer
 Letter (Apr. 16, 2008) (Rohde Decl. ¶ 6, Ex. B).

Ill. 2004) (citing *Wireless Spectrum Techs., Inc. v. Motorola Corp.*, 57 U.S.P.Q. 2d 1662, 1663 (N.D. Ill. 2001)); *Method Elecs., Inc. v. Infineon Techs. Corp.*, No. C 99-21142, 2000 U.S. Dist. LEXIS 20689, at *5-6 (N.D. Cal. Aug. 7, 2000). Those same factors apply when deciding a motion to lift a stay. *See Atlantic Constr. Fabrics, Inc. v. Metrochem, Inc.*, 2007 U.S. Dist. LEXIS 77205, at *5 (W.D. Wash Oct. 9, 2007) (applying the factors in denying a motion to lift a stay pending reexamination of patent-in-suit). Just three months ago this Court determined that the factors surrounding this litigation favor a stay. Docket #39. Sorensen now attempts to alter the calculus of those factors in this case.

(1) Early Stage of Litigation Favors Maintaining the Stay

Sorensen argues that the litigation against Legacy is almost complete. Docket #45-2 at 6. This assertion is just plain false. Litigation has proceeded no further against Legacy than it has against co-defendant DNNA. Should litigation resume, Legacy will vigorously defend itself both in arguing against any alleged default and against any charge of infringement.

(2) Maintaining the Stay Will Not Unduly Prejudice Sorensen

Sorensen argues that he has been prejudiced by the Court's Stay Order, Docket #39, because he was entitled to an entry of default. Docket #45-2 at 3. Under Sorensen's theory that the alleged default occurred, Sorensen still had opportunity to file with the Clerk for entry of the default. By Sorensen's own admission, the alleged default occurred three days prior to the stay Order. Docket #45-2 at 1. Sorensen is no certainly no stranger to filing for default judgment entries immediately upon alleged default. *See, e.g.*, Docket Entry #12 in *Sorensen v. First Int'l Digital, Inc.*, No. 3:07-cv-05525 (N.D. Cal. 2007) (J. White) (Rohde Decl. ¶ 8, Ex. D) (filing for entry of default two days after default); Docket Entry #8 in *Sorensen v. Johnson Level & Tool Mfg. Co.*, No. 3:08-cv-00025 (S.D. Cal. 2008) (Rohde Decl. ¶ 9, Ex. E) (filing for entry of default one day after alleged default); Docket Entry #9 in *Sorensen v. Head USA, Inc.*, No. 3:06-cv-1434 (S.D. Cal. 2006) (Rohde Decl. ¶ 10, Ex. F) (filing for entry of default one day after alleged default and one day after defendant allegedly in default filed a motion to stay the litigation pending reexamination); *see also*

Docket Entry #11 in *Sorensen v. Ampro Tools Corp.*, No. 4:08-cv-00096 (N.D. Cal 2008) (Rohde Decl. ¶ 11, Ex. G) (filing for entry of default 16 days after alleged default); Docket Entry #10 in *Sorensen v. Rally Mfg., Inc.*, No. 08-cv-00305 (S.D. Cal. 2008) (Rohde Decl. ¶ 12, Ex. H) (filing for entry of default 10 days after alleged default); Docket Entry #18 in *Sorensen v. Global Mach. Co.*, No. 3:08-cv-00233 (S.D. Cal. 2008) (Rohde Decl. ¶ 13, Ex. I) (filing for entry of default against three defendants 10 days after alleged default; later withdrawn).

Sorensen was aware of the impending decision on the motion to stay and was clearly capable of filing a motion for entry of default following the alleged default of Legacy. Thus, any prejudice actually suffered by Sorensen was accrued through his own inaction.

Sorensen has had plenty of opportunity to argue against the language in the Court's Time Extension Order. Although Sorensen has contended to Legacy counsel that the Court's Time Extension Order was a "mistake," Kramer Letter at 1, ¶ 3 (Apr. 16, 2008) (Rohde Decl. ¶ 6, Ex. B), Sorensen has never sought clarification from the Court, nor has he disclosed in any court filing that the plain language of the Time Extension Order is contrary to his position.

Further, Sorensen cannot be prejudiced since the litigation is currently stayed by Order of this Court. The litigation has not proceeded, and is not currently proceeding, against any Defendant. Sorensen is in the same position as all parties to the litigation, awaiting a determination from the PTO on the reexamination of the patent-in-suit. It makes no sense at this point to hold Legacy liable for an alleged default (especially when Legacy is represented by counsel and intends to vigorously defend itself) when the litigation is stayed pending reexamination of the patent-in-suit.

(3) Lifting the Stay Will Not Simplify the Issues or Streamline the Litigation

Sorensen argues that the issue of liability as to Legacy would be rapidly resolved if the stay were lifted. Docket #45-2 at 4. Legacy again disagrees. If the stay is lifted,

Legacy will, as previously stated, vigorously defend itself. Legacy submits that it is not in default, and alternatively if the Clerk enters default, Legacy submits that it can readily show good cause for the Court to set aside the entry of default. Thus, Legacy would not be removed from the litigation and no issues relating to the stay would have been simplified or streamlined for later trial. Further, if the Court agrees that Legacy has shown good cause for setting aside any alleged default, Legacy will argue for the current stay to be imposed once again.

IV. CONCLUSION

An Order denying Plaintiff's Motion for Partial Lift of Stay as to Defendant Legacy Support Services for Purposes of Entering Default is appropriate under these circumstances. For the reasons detailed in this response Brief, Legacy and DNNA respectfully requests that the Court maintain the stay as previously ordered.

Dated: April 30, 2008.

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